



**DEFENSE FINANCE AND ACCOUNTING SERVICE  
ARLINGTON**

**1931 JEFFERSON DAVIS HIGHWAY  
ARLINGTON VA 22240-5291**

**JUN 17 2002**




**DFAS-DFM**

**MEMORANDUM FOR DIRECTOR, MILITARY PAY OPERATIONS, DEFENSE FINANCE  
AND ACCOUNTING SERVICE (DFAS-PM/CL)**

**SUBJECT: Revised Interim Change to the DoDFMR, Volume 7A, Regarding the Thrift  
Savings Plan (DFAS Item #J-27)**

Interim Change **27-02** to Chapter 51 of the Defense Financial Management Regulation  
(DoDFMR), Volume 7A contained formatting problems with Table 52-1.

Use the attached in lieu of the interim change previously issued on April 30, 2002.

  
Jerry S. Hinton  
Director for Finance

Attachment  
As stated

cc OUSD(C) ODCFO (FC)  
DASD (MPP)(COMP)  
ODGC (F)  
DFAS-GAM/DE  
Service Liaisons  
USCG/NOAA/PHS Liaisons  
DFAS-PMJE/DE  
DFAS-PMA/CL

1. Rename the title of Chapter 51 as "Savings Programs".

2. Revise section 5101 to read:

5101. Savings Deposit Program

3. Revise paragraph 510101 as follows:

“510101. Definitions

A. Geographic Areas

1. Persian Gulf Area. Arabian Gulf area as designated in Figure 10-1.

2. Operation Joint Endeavor Area. The area of operations is the total land area of Bosnia-Herzegovina, Croatia, Serbia, Montenegro, Slovenia, Macedonia, Hungary and the air space thereover, or the waters of the Adriatic Sea north of 40N; plus forces operational control/tactical control (OPCON/TACON) to Supreme Allied Commander, Europe (SACEUR) for the purpose of executing Operation Joint Endeavor (e.g., SOCIFOR, DECISIVE EDGE, and DETERMINED EFFORT).

3. Operation Joint Guard and Operating Joint Forge Area. The area of eligibility consists of the total land area of Bosnia-Herzegovina, Croatia, Serbia, Montenegro, Slovenia, Macedonia, Hungary, and the airspace thereover, or the waters of the Adriatic Sea north of 40 degrees N.

4. Operation Enduring Freedom. The area of eligibility consists of the total land area of Afghanistan, Pakistan, Kazakstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan, the waters consisting of the Red Sea, Gulf of Aden, Gulf of Oman, and Arabian Sea (portion north of 10 degrees north latitude and west of 68 degrees east longitude), or in the air space there over.”

4. Add the following new Section to read:

"5110 THRIFT SAVINGS PLAN (TSP)

511001. General. The Thrift Savings Plan is a Government-sponsored retirement savings and investment plan. Congress established the plan as part of the Federal Employees' Retirement System Act (5 U.S.C. 8431-8440). Participation in the plan for military members was allowed by the National Defense Authorization Act for

Fiscal Year 2000 as amended by the National Defense Authorization Act for Fiscal Year 2001. The plan offers tax deferral advantages similar to those offered by private corporations to their employees under 401(k) plans. The Federal Retirement Thrift Investment Board, which operates the plan solely for the benefit of the participants and their beneficiaries, administers the plan. The recordkeeper for the plan is the National Finance Center (NFC) in New Orleans, Louisiana. The NFC issues TSP Bulletins providing necessary guidance relating to TSP operations.

511002. Definitions

A. Member means:

1. A member of the uniformed services serving on active duty.
2. A member of the Ready Reserve in any pay status.

B. Basic pay means basic pay payable under 37 U.S.C. § 204 or inactive duty pay compensation payable under 37 U.S.C. § 206, which is paid at the rate of 1/30 of the basic pay authorized to a member of a Reserve component who is not entitled to basic pay under section 204.

C. Military Services refer to the Uniformed Services as defined (see Definitions, Item 109).

511003. Participation

A. When to Begin TSP Deductions. Any eligible member may elect to participate in this plan starting October 9, 2001. A member may make the first election during the initial 60-day period beginning October 9, 2001 through December 8, 2001. Deductions for elections made during this initial period will begin the January 1, 2002 pay period.

1. Members who do not enroll during this initial 60-day period; will have two "open seasons" per year to enroll thereafter. The first "open season" following the initial 60-day period is scheduled for December 9, 2001, through January 31, 2002. Members can elect to start or change their elections during open seasons held each year (November-January and May-July). An election form can be submitted at any time during an open season, but contributions will not begin before the last full month of open season (the last month of each open season is called the election period.)

2. Members Join or Rejoin on or After December 8, 2001. Members who join the uniformed service on or after December 8, 2001, as well as those who rejoin following a break in service on or after December 8, 2001, will be able to

elect to participate in the TSP within 60-days of joining the uniformed service. A member shall be deemed to have joined the uniformed service on the date the member first becomes eligible (or becomes eligible again for those members who rejoin following a break in service) to receive basic pay. The second day a member becomes entitled to basic pay will be considered day one of this 60-day window. If a member decides to participate in the TSP during this 60-day window, the member's service must make the election effective no later than the first full pay period after the election is received.

3. Late Elections. When the Secretary concerned determines that a member was unable, for circumstances beyond the member's control, to make a TSP election within the time limits prescribed by the Federal Retirement Thrift Investment Board and the Department of Defense. The Service may accept the member's election within 30 calendar days after such circumstances have terminated. The member's service must make the election effective no later than the first full pay period after the election is received and approved.

4. Member Transfers. When members transfer between components or branches of the Uniformed Services, their TSP contributions may be continued. The member will notify their gaining servicing organization of their existing TSP contribution rates in order to continue TSP contributions and or loan payments without interruption.

a. For Active to Reserve Transfers. A member may make a new election within 60 days of the transfer. Otherwise, the existing TSP election can be presented to the member's gaining servicing office to continue TSP contributions and or loan payments without interruption.

b. For Reserve to Active Transfers. A member may make a new election within 60 days of the transfer. Otherwise, the existing TSP election can be presented to the member's gaining organization to continue TSP contributions and or loan payments without interruption.

c. Transferring From One Branch of Service to Another Branch of Service. A member may make a new election within 60 days of the transfer.

B. The maximum amount a member may contribute may not exceed 7 percent of basic pay or inactive pay compensation for any pay period in calendar year 2002. No contribution for any given year may exceed the limitation under sections 402(g) and 415 of the Internal Revenue Code. The maximum amount a member may contribute out of basic pay in any pay period shall be increased in accordance with the following:

<u>Pay Period in Year</u>	<u>Maximum Percentage Allowable</u>
2002	7
2003	8
2004	9
2005	10
2006 and after	100

C. A member making contributions to the Thrift Savings Plan out of basic pay or compensation may also contribute any part of any special pay, incentive pay, or bonus that the member receives under chapter 5 of title 37 U.S.C. (see Figure 51-1)

D. All TSP contributions must be made through payroll deduction. Lump-sum contributions for special, incentive and bonus payments are permitted only through payroll deductions. The member may elect a whole percentage between 1-100 percent for special, incentive and bonus entitlements. The total TSP contributions (to include basic pay) are not to exceed limitations under sections 402(g) and 415(c) of the Internal Revenue Code.

E. The choice to stop contributing to TSP is permitted at any time. It is effective at the end of the pay period in which that election is accepted by the member's servicing activity. If basic pay contributions are terminated, TSP deductions for special, incentive and bonus pays will also be terminated with the same effective date.

511004. Matching Contributions. The Service Secretary may enter into an agreement with a member to make matching contributions to the Thrift Savings Plan for the benefit of the member if the member is in a specialty designated as critical to meet wartime or peacetime requirements. The member shall commit to serve on active duty in that specialty for a period of 6 years.

A. The Service Secretary will make these contributions for each pay period of the 6-year period that the member makes contributions.

B. Contributions are matched dollar for dollar for the first three percent of basic pay contributed per pay period, and then 50 cents on the dollar for the next two percent of pay. Therefore, the member will not receive matching contributions for amounts contributed above 5 percent.

511005. TSP Loan Program

A. General. Under 5 U.S.C. 8433(g), all TSP participants are eligible to obtain a TSP loan. Members may borrow only from their own contributions and earnings. The minimum amount a member can borrow is \$1,000. A member may have a total of two loans. The total outstanding loans cannot exceed \$50,000. When a

member has both a civilian TSP account and a military TSP account, the maximum loan amount applies to the combined accounts and not to each account separately.

B. Types of Loans. Loans can be made for the following purposes:

1. Residential.
2. General purpose.

C. Interest Rate. The interest rate shall be the posted rate for the G Fund at the time that the loan application is received at the TSP Servicing Office. The rate is fixed at that level for the life of the loan, and the interest paid on the loan shall go back to the member's own TSP account and is not tax deductible.

D. Tax Exempt Amount. When a participating member has contributions that are made from tax exempt pay as well as from tax deferred pay, the loan principal will be made and repaid on a pro rata basis from these funds. For additional information, see TSP Booklet on TSP Loans (January 2002).

511006. Breakage (Lost TSP Earnings) Due to Agency Error

A. Authority. Section 8432a of Title 5, United States Code provides statutory authority for employing agencies to pay to the TSP amounts representing breakage (lost earnings) resulting from agency errors. If a member receives pay from which member contributions should have been deducted, but as a result of agency error, all or any part of those deductions were not made, then even if the member makes up those member contributions, the belated member contributions shall not be subject to lost earnings. The following are conditions that require payment of breakage:

1. Delayed or Erroneous Contributions When Member Received Pay

a. If a member receives pay, but as a result of an agency error all or any part of the agency matching contribution associated with that pay are not timely received by the TSP recordkeeper, the agency belated contributions shall be subject to breakage.

b. If a member receives pay where contributions were properly deducted but, as a result of an agency error, all or any part of the associated agency matching contributions were not timely received by the TSP recordkeeper, then the belated contributions will be subject to breakage.

c. If a member receives pay where contributions were properly deducted but, as a result of an agency error all or any part of those member

contributions were not timely received by the TSP recordkeeper, the belated contributions will be subject to breakage.

2. Agency Delay in Basic Pay, Special Pay, Incentive Pay and Bonus. Where, as the result of an agency error, a member does not timely receive all or any part of pay to which entitled, all such belated member contributions and agency matching contributions shall be subject to breakage.

3. Late Payroll Submissions. All contributions contained in a payroll submission received by the TSP recordkeeper more than one pay period after the pay date associated with that payroll submission shall be subject to breakage.

4. Loan Allotments. Loan allotments deducted from a member's pay but not timely received by the TSP recordkeeper due to agency error shall be subject to breakage

B. Minimum Dollar Amount. Breakage on loan allotments and late contributions shall be calculated by the TSP system only for those contributions and loan allotments that are \$1 or more.

C. Agency Responsibility. The employing agency whose error caused a late or erroneous investment of money in the TSP is responsible for payment of any breakage resulting from that error. The paying office that submitted payment records or loan allotments that are subject to breakage is also responsible for submitting the appropriate breakage records relating to those submissions. The amount of breakage that is calculated shall be charged to the TSP clearing account of the submitting paying office. Where another employing agency caused the late or erroneous submission by the submitting paying office, the paying office that was charged for the amount of breakage calculated should seek reimbursement from the other employing agency.

D. Detailed Information on Breakages. For detailed information concerning the breakage (lost earnings) process, refer to TSP Bulletins. The TSP Bulletins are available on the Internet at <http://www.tsp.gov>.

**THRIFT SAVINGS PLAN ELECTION**

<b>37 U.S.C. §</b>	<b>DoDFMR, Volume 7A, section, paragraph, or subparagraph</b>	<b>Bonuses</b>
<b>302h</b>	0601	Accession Bonus (Dental)
<b>302j</b>	070101	Accession Bonus (Pharmacy)
<b>302d</b>	2101	Accession Bonus For Registered Nurses
<b>301b</b>	20	Aviator Retention Bonus (Aviator Continuation Pay)
<b>312a</b>	1201	Bonus for Nuclear-Trained and Qualified Enlisted Members
<b>308h</b>	5704	Bonus for Reenlistment, Enlistment, or Voluntary Extension (Ready Reserve)
<b>322</b>		Career Status Bonus
<b>317</b>		Critical Acquisition Position Bonus
<b>308a</b>	0901	Enlistment Bonus
<b>308f</b>	090107	Enlistment Bonus (Army)
<b>308c</b>	570403	Enlistment Bonus (Selected Reserve)
<b>308g</b>	5704	Enlistment Bonus (Ready Reserve)
<b>301e</b>	0608	Multiyear Retention Bonus (Dental)
<b>301d</b>	0508	Multiyear Retention Bonus (Medical)
<b>312b</b>	1201	Nuclear Career Accession Bonus
<b>312c</b>	1203	Nuclear Career Annual Incentive Bonus
<b>308i</b>	570403.B	Prior Service Enlistment Bonus
<b>308</b>	0902	Reenlistment Bonus
<b>308b</b>	570402	Reenlistment Bonus (Selected Reserve)
<b>308e</b>	570404	Reserve Affiliation Bonus
<b>323</b>		Retention Bonus for Members Qualified in a Critical Military Skill
<b>314</b>	14	Special Pay for Enlisted Members Extending Duty at Designated Locations Overseas (See note 1)
<b>318</b>		Special Warfare Officer Retention Bonus
<b>37 U.S.C. §</b>	<b>DoDFMR, Volume 7A, section, paragraph, or subparagraph</b>	<b>Incentive Pay</b>
<b>301a</b>	2202	Aviation Career Incentive Pay
<b>320</b>	22	Career Enlisted Flyer Pay
<b>301</b>	240101.C	Hazardous Duty Incentive Pays
<b>301a(1)</b>	2201	Hazardous Duty Incentive Pay for Flying
<b>301c</b>	11	Submarine Duty

**Figure 51-1. Thrift Savings Plan Election**



**THRIFT SAVINGS PLAN ELECTION**

<b>37 U.S.C. §</b>	<b>DoDFMR, Volume 7A, section, paragraph, or subparagraph</b>	<b>Special Pay</b>
<b>302b(a)(4)</b>	0604	Additional Special Pay (Dental)
<b>302(a)(4)</b>	0503	Additional Special Pay (Medical)
<b>302b(a)(5)</b>	0603	Board Certified Pay (Dental)
<b>302(a)(5)</b>	0502	Board Certified Pay (Medical)
<b>302c(d)</b>	0509	Board Certified Pay for Non-Physician Health Care Providers
<b>305a(a)</b>	1801	Career Sea Pay
<b>305a</b>	1802	Career Sea Pay Premium
<b>312</b>	1202	Continuation Pay for Nuclear-Qualified Officers Extending Period of Active Service
<b>308d</b>	580107	Designated Unit Pay
<b>302c(c)</b>	0510	Diplomate Pay for Psychologists
<b>303(b)</b>	070303	Diplomate Pay for Veterinarians
<b>304</b>	11	Diving Duty
<b>315</b>	16	Engineering and Scientific Career Continuation Pay
<b>316</b>	19	Foreign Language Proficiency Pay
<b>305</b>	17	Hardship Duty Pay
<b>310</b>	10	Hostile Fire and Imminent Danger Pay
<b>302(b)</b>	0504	Incentive Special Pay (Medical)
<b>302e</b>	2102	Incentive Special Pay for Nurse Anesthetists
<b>321</b>		Judge Advocate Continuation Pay
<b>302a(a)</b>	070202	Regular Special Pay (Optometrists)
<b>302b(h)</b>	0606	Reserve Dental Officers Special Pay
<b>302ab</b>	070203	Retention Special Pay (Optometrists)
<b>307</b>	08	Special Duty Assignment Pay for Enlisted Members
<b>307(d)</b>	570401.E	Special Duty Assignment Pay (Guard and Reserve)
<b>314</b>	14	Special Pay for Enlisted Members Extending Duty at Designated Locations Overseas (note 2)
<b>306</b>	13	Special Pay for Officers Holding Position of Unusual Responsibility and of Critical Nature
<b>302i</b>	070102	Special Pay for Pharmacy Officers
<b>302g</b>	5803	Special Pay for Reserve Health Care Professionals in Critically Short Wartime Specialties
<b>302h</b>	0506	Special Pay for Reserve Medical Officers
<b>303(a)</b>	070302	Special Pay for Veterinarians
<b>319</b>	12	Surface Warfare Officer Continuation Pay
<b>302(a)</b>	0501	Variable Special Pay (Medical)
<b>302b(a)(2)</b>	0602	Variable Special Pay (Dental)

**Figure 51-1. Thrift Savings Plan Election (Continued)**

## NOTES:

1. When paid annually, not to exceed \$2,000.
2. When paid monthly, not to exceed \$80 per month.

**Figure 51-1. Thrift Savings Plan Election (Continued)****5. Change the Bibliography for Chapter 51 as follows:**

- a. Rename the title of the chapter as "Savings Programs".
- b. Renumber the current chapter paragraphs/subparagraphs in the same manner as was done in item 3 of this interim change.
- c. Add the following new entries to the Bibliography.

**Paragraph****Citation**

5110 TSP

Public Laws 99-335 and 106-65,  
 section 661,  
 October 5, 1999 as amended by  
 Public Law 106-398,  
 section 661,  
 October 30, 2000  
 5 Code of Federal Regulations, Chapter VI  
 DoDD 1341.4, Thrift Savings Plan

Figure 51-1

37 U.S.C. Chapter 5"

**6. Replace Table 52-1 with Tab A.**

**PRIORITY OF DEDUCTIONS AND COLLECTIONS**

<b>R U L E</b>	<b>When the amounts due a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:</b>	
<b>1</b>	reduction of pay entitlement	losses of pay entitlement take precedence over all items for deduction or collection: <ul style="list-style-type: none"> <li>a. Forfeiture. (See note 1)</li> <li>b. Reduction for educational benefit under "Montgomery G.I. Bill" (note 1)</li> </ul>
<b>2</b>	reimbursement to United States	amounts collected for deposit to the credit of the United States Treasury, in the following order: <ul style="list-style-type: none"> <li>a. FICA tax</li> <li>b. Deductions for Armed Forces Retirement Homes</li> <li>c. FITW (this includes any amounts voluntarily authorized by member in excess of the minimum withholding required)</li> <li>d. Deductions for SGLI</li> </ul>
<b>3</b>	state income tax withholding	
<b>4</b>	involuntary repayment of indebtedness to United States	<ul style="list-style-type: none"> <li>a. Routine pay adjustment as defined in subparagraph 500104.A.1.</li> <li>b. Repayment of advances of pay/allowances or advances of travel</li> <li>c. Other collections (overpayments of pay or allowances outside the scope of a routine pay adjustment).</li> <li>d. Repayment of public funds entrusted to an accountable member or funds obtained by any member through fraud, larceny, embezzlement, or other unlawful means</li> <li>e. Clothing allowance charges</li> <li>f. Transportation charges</li> <li>g. Subsistence charges</li> <li>h. Government property lost or damaged. (See note 2)</li> <li>i. Telephone or telegraph charges</li> <li>j. Damage to assigned housing due to negligence or abuse</li> <li>k. Indebtedness to a Commissary, DoD contracted Military Banking Facility overseas, or other appropriated fund activity for an uncollectable check or defaulted loan</li> <li>l. Unpaid hospital bills for medical services furnished a dependent</li> <li>m. Compensation or stipend payments received by a medical officer from state, county, municipal, or privately owned hospitals for medical services</li> <li>n. Jury duty fees received by a member</li> <li>o. Amounts due other Uniformed Services or departments or agencies outside DoD, including court judgments</li> </ul>
<b>5</b>	garnishment for alimony and child support payments	

**Table 52-1. Priority of Deductions and Collections**

**PRIORITY OF DEDUCTIONS AND COLLECTIONS**

<b>R U L E</b>	<b>When the amounts due a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:</b>	
<b>6</b>	statutorily-required child and spousal support allotments	
<b>7</b>	reimbursement to individuals and agencies	remittances to an individual or agency by disbursing officer making deductions as follows: a. Deductions for rental of premises occupied by dependents b. Deduction for payment for damages to private property
<b>8</b>	court-ordered bankruptcy payments under Chapter 13 of the revised Bankruptcy Act	see note 3
<b>9</b>	indebtedness to a nonappropriated fund activity	
<b>10</b>	amounts due Service relief society (Army Emergency Relief, Air Force Aid Society, Navy-Marine Corps Relief Society, or Coast Guard Mutual Assistance) only at final separation	
<b>11</b>	voluntary repayment of indebtedness to United States	in order specified by the Military Service member (See note 4.)
<b>12</b>	involuntary allotment for commercial debts	see note 5
<b>13</b>	TSP	payments to TSP in the following order: a. TSP loan repayments b. TSP deductions

**Table 52-1. Priority of Deductions and Collections (Continued)**

**PRIORITY OF DEDUCTIONS AND COLLECTIONS**

<b>R U L E</b>	<b>When the amounts due a member are not enough to cover authorized deductions or collections, collect applicable amounts shown in the following sequence:</b>	
<b>14</b>	allotments	payments made to an allottee by the United States or when a savings bond has been issued before the date amounts due a member are to be disbursed in the following order: <ol style="list-style-type: none"> <li>Emergency support of dependent</li> <li>Government insurance (discretionary allotment)</li> <li>Repayment of individual indebtedness or for payment to an individual or financial organization for disposition as authorized by the allotter (discretionary allotment)</li> <li>Purchase of United States savings bonds</li> <li>Donation to charity drives</li> <li>Other discretionary allotments (See note 5.)</li> </ol>
<b>15</b>	IRS levy for delinquent Federal income taxes	(see Chapter 44, section 4402) (See note 5.)
<b>16</b>	court-martial fines	

## NOTES:

- Gross pay to which the Military Service member would otherwise be entitled must be reduced by the amount of the forfeiture. The forfeiture is subtracted to determine a new, reduced gross pay amount. Deductions based on gross pay will be computed on the reduced gross pay.
- This is a voluntary indebtedness for members of the Navy or Marine Corps who fall under Table 50-3, rule 5.
- In cases where the United States Bankruptcy Court has mandated that a sum be deducted monthly, the court order will be followed as prescribed in Military Service regulations. The above order of precedence will apply unless otherwise specified in the court order in which case the court's order prevails.
- Upon separation, these become involuntary and falls under rule 4.
- If the date of a tax levy is earlier than the effective date of a voluntary allotment or an involuntary allotment for commercial debts, the tax levy should be collected before either allotment.

**Table 52-1. Priority of Deductions and Collections (Continued)**